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SUBJECT: NETHERLANDS: ECONOMIC MINISTER VISITS RUSSIA,
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THE HAGUE 00001041 001.2 OF 002

SENSITIVE BUT UNCLASSIFIED; PLEASE PROTECT ACCORDINGLY.

[1](#)1. (SBU) SUMMARY. Dutch Economic Affairs Minister Maria van der Hoeven returned from her December 4-5 Moscow visit with a handful of energy announcements. Her meeting with Gazprom's CEO touched on Nord Stream, a gas storage project in the Netherlands, and selling future output from Yamal gas field to a Dutch utility. But scratching the surface reveals mixed evidence of concrete progress. The Dutch government and corporate sector will continue to woo Russia as they position themselves to remain an important energy player in Europe as their own gas production declines. END SUMMARY.

Energy Dominates "Economic Framework" Talks

[1](#)2. (SBU) EconOff met December 15 with Bert Roukens and Erik Janssen, energy security experts at the Ministry of Economic Affairs (MEA) who accompanied Minister van der Hoeven on her December 4-5 visit to Russia. (Note: MEA has lead responsibility for energy issues in the Dutch government. End note.) The trip took place under the rubric of the Netherlands-Russia economic framework agreement and follows on Prime Minister Jan Peter Balkenende's November 2007 trip to Russia (ref C). During that earlier visit, the two countries announced that Dutch state-owned gas infrastructure company Gasunie would acquire from Gazprom a 9 percent stake in the Nord Stream pipeline. (Note: The Netherlands has identified Russia, Algeria, Saudi Arabia, and Kazakhstan as its priority bilateral relationships among fossil fuel producers. End note.)

[1](#)3. (SBU) Van der Hoeven's visit culminated in a plenary with Russian First Deputy Prime Minister (and Gazprom chairman) Viktor Zubkov. Although the bilateral talks included working groups to promote trade in various sectors, energy issues took center stage. Several Dutch energy companies participated, including Shell, GasTerra (privatized gas trading company), and Essent (largest Dutch gas and electricity utility). Roukens described key outcomes on the energy front: discussion about Nord Stream, a letter of intent for Gazprom to join a consortium developing a gas storage site in the Netherlands, and a commitment in principle to supply future gas from the Yamal field to Essent.

Nord Stream: Optimistic Atmospherics

14. (SBU) In her meeting with Gazprom CEO Alexei Miller, van der Hoeven stressed that international treaties spelled out clear procedures for how the Nord Stream pipeline ought to be constructed and operated. According to Roukens, van der Hoeven told Miller that the Netherlands expects Gazprom and its partners to live up to their environmental and governance obligations as Nord Stream moves forward. Roukens said Gazprom was irritated by the European Commission's November 2008 Second Strategic Energy Review (SER). Specifically, the SER contained a table showing a scenario where if the EU meets its "20-20-20" energy and climate goals, it will not need extra gas imports from Russia. He added, however, that in private Gazprom sounded bullish about Nord Stream despite recent statements to the contrary by Russian officials. Roukens said the mood was "positive" that development of the Qoroukens said the mood was "positive" that development of the Shtokman field is progressing and will help fill the Nord Stream pipeline with new gas. Gazprom claimed its upstream investment plans remained intact in the face of economic turmoil.

Gazprom to Participate in Dutch Gas Storage Project

15. (SBU) Gazprom and Abu Dhabi-owned energy company TAQA signed a letter of intent December 4 to develop a depleted natural gas reservoir in North Holland, Bergermeer, as a gas storage facility. The project consortium includes TAQA's Dutch subsidiary, Dutch state-owned gas production concern Energie Beheer Nederland (EBN), Dutch private energy company

THE HAGUE 00001041 002.2 OF 002

Dyas, PetroCanada, and Gazprom. The project aims to create a gas storage site with a capacity of 4.1 billion cubic meters (bcm), or 145 billion cubic feet (bcf), which equates to about 10 percent of annual Dutch natural gas consumption. The Bergermeer project's estimated cost is 700 million euros (USD 1 billion). It is part of the Dutch government's efforts to position the Netherlands as a "gas roundabout" hub to supply gas from diverse sources to the rest of Europe. Roukens cautioned that the project is not yet ready to commence due to lack of agreement over who will supply and fund the injection of base gas into the reservoir. The consortium hopes to start construction in mid-2009 and commercial operations in 2013.

Dutch Utility Seeks Gas Supply from Yamal

16. (SBU) Van der Hoeven and Miller also discussed the development of Yamal gas field. Gazprom reportedly agreed to negotiate a deal with Dutch utility Essent to sell 5 bcm (177 bcf) per year from Yamal. Essent and other Dutch utilities have made no secret of their desire to secure long-term gas supplies from new sources as domestic gas production declines over the next 20 years. According to Roukens, the Gazprom-Essent announcement was a symbolic gesture and had little substance behind it. (Note: Rumors have circulated that Gazprom wants to buy Essent to establish a downstream position in the Netherlands. Van der Hoeven has repeatedly stated her support for the EU's "third country" -- or "Gazprom" -- clause, which would prevent Gazprom from acquiring an unbundled Dutch energy company. End note.) Roukens said other Dutch firms in the energy, engineering, and dredging sectors were also seeking Yamal-related contracts.

Slow Progress on Dutch-Russian Energy Efficiency Links

17. (SBU) The Netherlands is keen to move forward on implementing a bilateral agreement with Russia to promote energy efficiency. Roukens said the Dutch government is pushing to set up a work program with the new Moscow-based, UNESCO-funded International Sustainable Energy Development Center (ISED).

Netherlands to Observe Gaspec

18. (SBU) The Netherlands received Russia's backing to become an observer of the fledgling Gas Exporting Countries Forum (or "Gaspec"). Roukens said the Dutch have not yet received an official invitation to attend an inaugural event in early 2009, but would likely attend. Roukens reiterated van der Hoeven's public stance that the Netherlands would withdraw immediately if the group assumed cartel-like behavior.

Comment

19. (SBU) Minister van der Hoeven's Russian trip underscores how badly the Netherlands wants to maintain its traditional role as a key European gas hub after its own gas is gone. As a result, when it comes to energy security, the Dutch wish to have their cake and eat it too. They realize the contradiction of wooing Russia as a bilateral energy partner while they concurrently champion the cause of a common EU energy security posture. They also know it is risky -- Dutch officials still smart from Russia's about-face on Shell's investment in the Sakhalin project. The Dutch have been Qinvestment in the Sakhalin project. The Dutch have been extremely patient in developing their energy relations with Russia. They can afford to be because they do not need the gas now, but they will in a few years when large Russian fields might be coming on stream. END COMMENT.

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